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SUBJECT: Zagreb Daily Report - January 22, 2010

11. (U) Prosecutors Open Formal Corruption Investigation of Former Deputy Prime Minister:

Media reported on January 21 that the Office for Suppression of Corruption and Organized Crime (USKOK) has opened a formal investigation of Damir Polancec, the former Deputy Prime Minister and Minister of Economy who resigned amid corruption scandals related to Croatian food manufacturer Podravka in October 2009. Additional details will be reported septel.

12. (U) PM and Opposition Initiate Greater Dialogue on Economic Measures and Constitutional Reforms:

Prime Minister Jadranka Kosor said on January 21 that she was satisfied with her talks this week with parliamentary party leaders, as well as with her first formal bilateral meeting with Social Democratic Party president Zoran Milanovic since becoming Prime Minister. Kosor acknowledged that the ruling coalition and the opposition had failed to reach agreement on a complete set of proposed constitutional changes, but stressed the meeting was "very good" and that another one would be held in a fortnight. Milanovic told the press the focus of his meeting with Kosor had been the difficult economic situation that Croatia faces "and the level of [the SDP's] cooperation will depend on the government's readiness to really focus on the settlement of fundamental issues." The SDP is concerned that even in the short-term the government cannot maintain the current level of public spending. Milanovic welcomed the recent package of anti-recession measures announced by the government and the central bank as a positive step, but said they were insufficient alone, and more needed to be done. Milanovic also said that the SDP supported the government in the fight against corruption.

13. (U) Minor Coalition Partner Staying in the Government For Now: Darinko Kosor, president of the Croatian Social Liberal Party (HSLs), which holds two parliamentary seats in the governing coalition, said on January 21 that his party "remains a firm partner in the ruling coalition." Quoted in the media days earlier as suggesting the HSLs might leave the government unless significant budget cuts were made, Kosor (a distant relative of PM Kosor) told the press after a meeting of the HSLs party's presidency that the party "has no conditions on its coalition partners other than those set out in the coalition agreement." He proposed that leaders of the Croatian Democratic Union (HDZ) and the HSLs meet further to discuss the most important reforms that needed to be carried out in the country, including shipbuilding, downsizing of state administration, and reorganization of local government.

14. (U) Josipovic Responds to Mesic's Comments on BiH; Also Calls U.S. Great Friend Of Croatia:

In a January 21 interview with Voice of America, when asked about President Mesic's earlier comments on the possibility of a military response if the RS tried to secede from Bosnia-Herzegovina (BiH), President-Elect Josipovic said: "As far as I am concerned, there can be no military solutions. Things must always be resolved through talks, through agreement between the parties concerned." In the same interview, he characterized the United States as a "great friend" of Croatia, both during the war in 1990s and today. Details on the Ambassador's January 21 meeting with Josipovic reported septel.

15. (U) Consular Section hosts GOC Visa Waiver Delegation:
On January 20, Embassy Zagreb's consular section hosted seven

members of a GOC delegation preparing to attend technical meetings with DHS and Consular Affairs in Washington at the end of the month.

The delegation, comprised of heads of department from the Ministry of Foreign Affairs, Ministry of Interior, and other security services, had a productive meeting with the DCM, Cons chief, and visa staff, and were walked through the visa process from start to finish. The goal of the visit was to assist the GOC delegation in preparing for their upcoming meetings by providing a clear picture of the existing non-immigrant visa program, tempering expectations for a quick resolution of Croatia's visa waiver status, as well as to answer any other questions they had concerning visas or the Visa Waiver Program. The delegation is scheduled to be in Washington January 25-28.

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